AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

ALBANY CONVENTION CENTER AUTHORITY

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Albany Convention Center Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Albany Convention Center Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Convention Center Authority, as of December 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP
Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the Albany Convention Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Convention Center Authority's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 27, 2015

Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2014 and 2013

The following is a discussion and analysis of the Albany Convention Center Authority, and its financial statements that reflect the financial activity that took place during the year ended December 31, 2014.

Authority Background

The Albany Convention Center Authority (ACCA) was created on September 21, 2004 by the enactment of Title 28-BB of the Public Authorities Law (Chapter 468 of the Laws of 2004). The general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany (the Project).

The Authority Board consists of nine members, three appointed by the Governor of New York State, one appointed by the Temporary President of the Senate, one member appointed by the Speaker of the Assembly. Two members are appointed by the Mayor of the City of Albany, with the advice and consent of the Common Council and two members are appointed by the Albany County Executive, with the advice and consent of the County Legislature. All members of the board shall serve at the pleasure of their appointing authority.

Significant activities during 2014 were as follows:

The Albany Capital Center:
In late December of 2013, the ACCA received direction from State government to proceed with a convention and meeting facility to be located at Eagle Street. It will be known as The Albany Capital Center. The concept is smaller in size than was contemplated previously and will not require a NYS subsidy. The Center will utilize the approximately $63 million balance of the 2006 Empire State Development Corp. grant for construction costs and a portion of the Albany County Hotel/Motel Occupancy tax (H.O.T.) to meet operational costs.

During 2014, the ACCA proceeded with all aspects of development, design, and preconstruction including: Land Acquisition, State Environmental Quality Review Act (SEQRA), Public Authority Control Board (PACB) approval, amendment of the Engineering and Architectural Services contracts issued to CHA and HNTB respectively, as a result of the public procurement processes completed in 2006 and 2007, and accepted the response to the RFP issued in 2007 for Construction Management Services from Gilbane Building Co.

The ACCA board adopted important resolutions to amend original contracts and approve other related activities toward construction and operations of the proposed Albany Capital Center as follows:

- Establishing marketing & construction committees;
- Approving CHA's Engineering Service Agreement for pre-construction and construction phase scopes;
- Approving Architectural Services Agreement with HNTB for the pre-construction and construction phase scopes;
- Entering into an agreement with Gilbane Building Company for construction management services;

- Recognizing and restating its commitment to have the Albany Capital Center generate economic and social benefits to the communities of the city, county and capital district region and continuing to take proactive and transparent steps to achieve that commitment;
- Accepting the Draft Environmental Impact Statement as complete;
- Accepting the Final Environmental Impact Statement as complete;
- Ratifying its February 28, 2014 approval to acquire the site and undertake the design, pre-construction, construction, fit-out and furnishing of an alternative plan for the construction of the Albany Capital Center, a convention center facility located in Downtown Albany;
- Approving an agreement with the New York State Office of General Services (OGS) to facilitate the flow of funding for construction and operations of the Albany Capital Center;
- Approving the engagement of the Dormitory Authority of the State of New York (DASNY) to provide minority and women owned business enterprise monitoring and reporting services for the construction of the Albany Capital Center;
- Approving an agreement with the County of Albany with respect to acquisition of land and improvements to the elevated walkway for the Albany Capital Center;
- Entering into an agreement with SMG, the successful responder to an RFP for the operations of the convention center facility;
- Authorizing the use of a Project Labor Agreement (PLA) and authorizing Gilbane Building Company to enter into and execute a PLA with the local unions affiliated with the Greater Capital Region Building and Construction Trades Council, AFL-CIO for the construction of the Albany Capital Center;
- Entering into a marketing agreement with the Albany County Convention and Visitors Bureau for ramp-up marketing during the construction phase of the Albany Capital Center.

Overview of the Financial Statements

The financial statements provide summary information about the Albany Convention Center Authority's 2014 and 2013 operations including net position. The notes provide explanation and additional details about the financial statements.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and the Government Accounting Standards Board (GASB). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Net Position 2014

	December 31, 2014	December 31, 2013	$ Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,831,685	$ 3,373,377	$ 458,308
Due from New York State	567,807	-	567,807
Due from Albany County (Occupancy Tax)	438,709	398,779	39,930
Prepaid expenses and other	86,804	74,040	12,764
Total current assets	4,925,005	3,846,196	1,078,809
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	16,582,598	8,749,368	7,833,230
Total assets	21,507,603	12,595,564	8,912,039
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
Total assets and deferred outflows of resources	$21,507,603	$12,595,564	$ 8,912,039
LIABILITIES			
Accounts payable and accrued expenses	$ 606,068	$ 22,405	$ 583,663
Accrued wages and employee benefits	14,458	13,782	676
Total current liabilities	620,526	36,187	584,339
NONCURRENT LIABILITIES			
Rent escalation liability	267,789	218,222	49,567
Total liabilities	888,315	254,409	633,906
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION	20,619,288	12,341,155	8,278,133
Total liabilities, deferred inflows of resources and net position	$21,507,603	$12,595,564	$ 8,912,039

Significant changes to Net Position

- Cash and cash equivalents increased by approximately $460,000 over 2013 due to a reduced loss in property management revenue resulting from the closing of the E-Comm Square buildings and a continued rise in Occupancy Tax receipts. In addition, there were no costs related to the research of the alternative concept plan in 2014 as that project was completed at the end of 2013.
- Expenses on operating leases are recognized on a straight-line basis. Accordingly, the rent escalation liability increased from $218,222 in 2013 to $267,789 in 2014. This represents the difference between actual lease payments made and the expense recorded on a straight line basis for the leases.

- Due to land acquired for the convention center and beginning to incur costs for project design, Due from New York State is approximately $568,000 above 2013 and Capital Assets saw a $7.83 million increase.

Revenue and Expenses 2014

	January - December 2014	January - December 2013	$ Change
Revenues	$ -	$ -	$ -
Expenses			
Salary and wages	204,589	201,323	3,266
Fringe benefits	75,690	79,128	(3,438)
Office expense	39,516	28,954	10,562
Occupancy costs	58,146	53,683	4,463
Professional fees	104,996	64,922	40,074
Other property held costs	85,870	52,367	33,503
Capital Center pre-opening expenses	38,199	-	
Depreciation expense	-	18,519	(18,519)
Total expenses	607,006	498,896	69,911
Operating loss	(607,006)	(498,896)	(69,911)
Appropriations and other revenues (losses)			
State appropriations	7,728,988	-	7,728,988
Hotel-Motel Occupancy Tax	1,374,913	1,244,498	130,415
Rental loss, net	(219,599)	(302,167)	82,568
Alternative initiative expenses	-	(216,151)	216,151
Loss on disposal of capital assets	-	(2,836,014)	2,836,014
Interest income	837	2,705	(1,868)
Total appropriations and other revenues (losses)	8,885,139	(2,107,129)	10,992,268
Change in net position	8,278,133	(2,606,025)	10,922,357
Total net position beginning of year	12,341,155	14,947,180	(2,606,025)
Total net position end of year	$20,619,288	$12,341,155	$ 8,316,332

Significant changes to Revenue and Expenses

2014 appropriation revenue increased to $7,728,988 from $0 in 2013 due to the reimbursement of expenses, from OGS (re-appropriated State funding), related to the purchase of the new Capital Center project land and the associated construction in progress costs. OGS was selected to be the conduit department within NYS to process ACCA's funding requests.

- Hotel/Motel Occupancy Tax (HOT) increased nearly $130,000 in 2014 over 2013. This was due to increasingly strong hospitality industry occupancy in Albany County since the 2008/2009 economic downturn.

- Rental losses were reduced from 2013 to 2014 by approximately $83,000 due to the building rental operations at the previous project site (known as E-Comm Square) ceasing early in 2013.
- Other significant increases in costs from 2013 to 2014 include: costs associated with the relocation of the ACCA offices; Capital Center Preopening expenses; and additional legal and consulting fees rendered as a result of the activity related to the new Albany Capital Center project.

Project Status

Lands of the ACCA within the Study Area:
In 2014, the ACCA was informed by the State that NYS Office of General Services (OGS), working with Empire State Development Corp (ESD), would be developing a Request for Proposal (RFP) seeking developers for the land presently controlled by the ACCA within the Study Area. The RFP was issued in January, 2015. The deadline for responses to the RFP is in June 2015.

Change in control of the land and related property currently controlled by the ACCA will be contingent on the results of the RFP process and how quickly the selected developer(s) can affect a closing. Whether control of the property will be conveyed to OGS as originally planned is unknown at this time. In the interim, the ACCA will continue to bear the costs to maintain and insure the structures as vacant buildings, contract with LAZ for daily, monthly and event parking on 2 parking lots, rent a parking lot to Holiday Inn Express, rent a lot to the Times Union Center for event parking, and keep secured those lots and structures not in use.

Albany Capital Center:
The estimated time line and status for The Albany Capital Center is approximately 24 months:

- Design & Programming: February 2014 (completed)
- Land Acquisition: February-May 2014 (completed)
- SEQRA: May 2014 (completed)
- PACB Approval: May 2014 (completed)
- Early Bid Packages released: December 2014 (in progress)
- Construction Start: March 2015
- Construction Substantially Complete: January, 2017

Subsequent Events:
Subsequent to December 31, 2014, the Authority Board of Directors completed resolutions to award the initial bid packages that will enable construction to begin as outlined above. This represents approximately 35% of the total project cost.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,831,685**	$ 3,373,377
Due from New York State	**567,807**	-
Due from County of Albany, New York	**438,709**	398,779
Prepaid expenses and other	**86,804**	74,040
Total current assets	**4,925,005**	3,846,196
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	**16,582,598**	8,749,368
Total assets	**21,507,603**	12,595,564
DEFERRED OUTFLOWS OF RESOURCES	**-**	-
Total assets and deferred outflows of resources	**$ 21,507,603**	$ 12,595,564
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 606,068**	$ 22,405
Accrued wages and employee benefits	**14,458**	13,782
Total current liabilities	**620,526**	36,187
NONCURRENT LIABILITIES		
Rent escalation liability	**267,789**	218,222
Total liabilities	**888,315**	254,409
DEFERRED INFLOWS OF RESOURCES	**-**	-
NET POSITION		
Net investment in capital assets	**16,008,941**	8,749,368
Unrestricted	**4,610,347**	3,591,787
Total net position	**20,619,288**	12,341,155
Total liabilities, deferred inflows of resources and net position	**$ 21,507,603**	$ 12,595,564

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2014 and 2013

	2014	2013
Revenues	**$ -**	$ -
Expenses		
Salaries and wages	**204,589**	201,323
Fringe benefits	**75,690**	79,128
Office expense	**39,516**	28,954
Occupancy costs	**58,146**	53,683
Professional fees	**104,996**	64,922
Other property held costs	**85,870**	52,367
Capital Center pre-opening expenses	**38,199**	-
Depreciation	**-**	18,519
Total expenses	**607,006**	498,896
Operating loss before grants and other revenues	**(607,006)**	(498,896)
Appropriations and other revenues (losses)		
State appropriations	**7,728,988**	-
Hotel-Motel Occupancy Tax	**1,374,913**	1,244,498
Rental loss, net	**(219,599)**	(302,167)
Alternative initiative expenses	**-**	(216,151)
Loss on disposal of capital assets	**-**	(2,836,014)
Interest income	**837**	2,705
Total appropriations and other revenues (losses)	**8,885,139**	(2,107,129)
Change in net position	**8,278,133**	(2,606,025)
Total net position, beginning of year	**12,341,155**	14,947,180
Total net position, end of year	**$ 20,619,288**	$ 12,341,155

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Personal service payments	**$ (279,603)**	$ (287,636)
Cash payments to vendors, contractors and other professionals	**(499,517)**	(705,238)
Net cash used in operating activities	**(779,120)**	(992,874)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received for interest	**837**	2,705
Cash received on accounts receivable	**7,161,181**	1,030,797
Cash received from County of Albany	**1,334,983**	1,215,841
Net cash provided by non-capital financing activities	**8,497,001**	2,249,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	**(7,259,573)**	(37,638)
Net cash used in non-capital financing activities	**(7,259,573)**	(37,638)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**458,308**	1,218,831
CASH AND CASH EQUIVALENTS, Beginning of year	**3,373,377**	2,154,546
CASH AND CASH EQUIVALENTS, End of year	**$ 3,831,685**	$ 3,373,377
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss before grants and other revenues (losses)	**$ (607,006)**	$ (498,896)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**-**	18,519
Rental loss	**(219,599)**	(302,167)
Alternative initiative expenses	**-**	(216,151)
Net changes in assets and liabilities:		
Prepaid expenses and other	**(12,764)**	2,751
Accounts payable and accrued expenses	**59,573**	10,255
Accrued wages and employee benefits	**676**	(7,185)
Net cash used in operating activities	**$ (779,120)**	$ (992,874)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in accounts payable	**$ 573,657**	$ -

See notes to financial statements.

NOTE 1 — FINANCIAL REPORTING ENTITY

The Albany Convention Center Authority (Authority) is a Public Benefit Corporation created by the State of New York (State) Legislature in 2004 to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage and maintain a convention center facility (Project) to be located in the City of Albany, New York (City). Operations began with the creation of the Authority's Board in February 2006. The Authority's Board consists of nine members: three members appointed by the Governor of the State, one member each appointed by the Temporary President of the State Senate and the Speaker of the State Assembly, respectively, two members appointed by the Mayor of the City of Albany with the advice and consent of the City's Common Council, and two members appointed by the County of Albany, New York (County) Executive with the consent and advice of the County Legislature.

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the State of New York's basic financial statements based on the State's responsibility for the appointment of a majority of the Authority members, and their approval of certain debt issuances. As a component unit, the Authority's financial statements may be discretely presented in the State of New York's basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

History

The Authority has begun the process to construct a convention center costing approximately $66 million. A new site was selected for this project in late 2013. It is expected that the assets accumulated for the predecessor project will be transferred to the state for other development purposes. In 2014, the remaining $62,903,000 of the original State commitment of $75 million for the project was re-appropriated and is being administered through the New York State Office of General Services (OGS). The remaining cost of the project will be funded by the Authority's unrestricted net position.

Alternative initiative expenses incurred in 2013 include costs to investigate alternative plans and location for the convention center and current project site use alternatives.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20, as amended, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The more significant accounting policies are described below:

Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector, using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. These deposits are fully collateralized by federal deposit insurance or secured under a collateral pledge and control agreement.

The Authority manages its investments pursuant to Section 98(a) of the State Finance Law. Permitted investments are defined as obligations in which the State Comptroller may invest which include obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements.

Due from New York State

Due from New York State consists of amounts due from an operating agreement administered through New York State Office of General Services for certain costs allowed under the agreement (Note 4). Receivables are recorded and revenue is recognized as the Authority incurs the allowable costs. No allowance has been established at either December 31, 2014 and 2013 for estimated uncollectible accounts receivable as these amounts are considered fully collectible.

Due from the County of Albany, New York

During 2006, enabling legislation authorized a portion of Hotel-Motel Occupancy Tax (HOT) revenue collected and remitted to the treasury of the County of Albany be set aside for use by the Authority (Note 5). The HOT revenue is recognized when earned based on management's estimates using budgeted and historical collection data adjusted each quarter based on actual amounts collected and deposited into an account designated by the Authority. Due from County of Albany, New York consists of the Authority's share of hotel taxes collected on behalf of the Authority. No allowance has been established at either December 31, 2014 and 2013 for estimated uncollectible amounts due from Albany County as these amounts are considered fully collectible.

Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

Adoption of New GASB Accounting Standards

As of January 1, 2013, the Authority adopted GASB 65, Items Previously Reported as Assets and Liabilities. This change had no impact on the financial statements.

NOTE 3 — CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are categorized in accordance with criteria established by the GASB to give an indication of the level of risk assumed. Cash and cash equivalents as of December 31, are reflected below.

	2014		2013	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	$3,831,685	$3,867,557	$3,373,377	$3,384,894
	$3,831,685	$3,867,557	$3,373,377	$3,384,894

The cash and cash equivalents are fully collateralized by federal deposit insurance or secured under depository collateral agreements as follows at December 31, 2014:

FDIC insurance	$ 250,000
Collateral held by pledging bank	4,280,500
	$4,530,500

NOTE 4 — NEW YORK STATE APPROPRIATIONS

In October 2006, as the result of a Grant Disbursement Agreement, the Empire State Development Corporation (ESDC) approved the first advance of $2,097,000 appropriated for predevelopment and project costs. The final appropriation was made in 2008.

In March 2009, ESDC approved an additional $10,000,000 grant (Capital Project #V767) to be used for the cost of pre-construction and site planning, land acquisition, environmental remediation, archeology, and history conservation, as part of a plan to build the convention center. The final appropriation under this grant was recognized as revenue in 2012 and received in 2013.

In May 2014, as the result of an Agreement, an additional $62,903,000 was approved and is being administered through New York State Office of General Services for the development of the convention center now known as the Albany Capital Center. During 2014, approximately $7,729,000 was recognized as revenue for qualified expenditures, of which approximately $568,000 was included in Due from New York State for amounts expended but not reimbursed as of December 31, 2014.

NOTE 5 — DUE FROM THE COUNTY OF ALBANY, NEW YORK

During 2006, legislation was amended which authorizes the County of Albany to impose and collect taxes from occupants of hotel-motel rooms in the County. Among other amendments, this legislation authorized a portion of hotel and motel occupancy taxes collected and remitted to the treasury of the County be deposited into a fund held separate and for the benefit of the Authority. Funds in excess of expenses and outstanding applications for withdrawals submitted by the Authority may be invested in accordance with certain provisions of law. Investment income earned is retained by the fund and made available to the Authority along with all other moneys of the fund. The County transfers money to the Authority's operating account on a quarterly basis which is to be used by the Authority for the development of the convention center project. This tax was originally subject to a sunset provision and ended in December 2008. This tax was re-enacted during 2009 with the tax imposed for the period from November 1, 2009 through December 31, 2010. The provisions of the legislation have been further extended through December 31, 2016. The Hotel-Motel Occupancy Tax revenues for the years ended December 31, 2014 and 2013 was $1,374,913 and $1,244,498, respectively.

NOTE 6 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes for the years ended December 31, 2014 and 2013:

	January 1, 2014	Additions	Deletions	Transfers	December 31, 2014
Capital Center project costs (A)	$ -	$ 7,819,898	$ -	$ -	$ 7,819,898
Other property held (B)	8,749,368	-	-	-	8,749,368
Furniture, equipment and other	17,403	13,332	-	-	30,735
Total	8,766,771	7,833,230	-	-	16,600,001
Less: accumulated depreciation	(17,403)	-	-	-	(17,403)
Capital assets, net	$ 8,749,368	$ 7,833,230	$ -	$ -	$ 16,582,598

	January 1, 2013	Additions	Deletions	Transfers	December 31, 2013
Building	$ 2,804,722	$ -	$ (185,783)	$ (2,618,939)	$ -
Other property held (B)	8,937,505	28,938	(2,836,014)	2,618,939	8,749,368
Furniture and equipment	17,403	-	-	-	17,403
Total	11,759,630	28,938	(3,021,797)	-	8,766,771
Less: accumulated depreciation	(184,667)	(18,519)	185,783	-	(17,403)
Capital assets, net	$ 11,574,963	$ 10,419	$ (2,836,014)	$ -	$ 8,749,368

(A) Capital Center project costs consist principally of land costs, legal, other professional fees and other pre-construction costs incurred which are directly related to the Capital Center located at 55 Eagle Street in Albany, New York. These assets are not being depreciated as they are not in service as of December 31, 2014.

NOTE 6 — CAPITAL ASSETS *(Continued)*

(B) Other property held consist principally of land costs and other acquisition costs incurred which are directly related to the Authority's original project location. These assets are not being depreciated. During 2013, due to the change in use (no longer being the site for construction of the convention center) non-land related costs such as professional fees and architectural drawings associated with the previous project were written off and a loss of approximately $2,836,000 was recognized in the statement of revenue, expenses, and changes in net position during the year ended December 31, 2013. The remaining balance at December 31, 2014 and 2013 represents costs directly related to land acquisition and development that is expected to be transferred to NYS.

Furniture, equipment and other assets are capitalized and depreciated over a period consistent with the underlying estimated useful life when placed in service.

Buildings consist of the cost for buildings considered rentable and thus placed in service during the interim time frame between purchase in 2010 and construction of the convention center. Buildings that were purchased during 2010 and 2012, but not in a condition to be placed in service were recorded as project development costs. The building rental operations ceased during 2013, and the net book value of approximately $2,619,000 was transferred to other property held costs.

In connection with health and safety provisions for the now dormant building, costs of approximately $85,900 and $52,400 are included in the financial statement line other property held costs for the years ended December 31, 2014 and 2013, respectively.

Depreciation expense related to furniture and equipment was approximately $500 for the year ended December 31, 2013 (none in 2014).

Depreciation expense for building was approximately $18,000 for the year ended December 31, 2013 (none in 2014).

NOTE 7 — RENTAL LOSS

As a result of the 2010 acquisitions of land, buildings and surface parking lots (Notes 10), the Authority commenced rental activities, utilizing management agents, relating to these properties. For the years ended December 31, 2014 and 2013, net rental losses on these properties approximated $220,000 and $302,000, respectively. Rental expenses consisted primarily of management fees, lease expenses, utilities and maintenance costs.

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS

During 2006, the Authority's Governing Board passed a resolution to participate in the State of New York Retirement System and to provide retirees certain retirement benefits made available to participating employers by the State Retirement and Social Security Laws, including Chapters 1046 and 1047 of the Laws of 1973. Additionally, the Authority's Governing Board also passed a resolution to participate, pursuant to the provisions of Section 153(4) of the State Civil Service Law, in the Health Insurance Program for State Employees and Employees of Local Subdivisions in the State. In 2007, the Authority submitted the requisite paperwork for participation in both the State and Local Employees' Retirement System (ERS) and the State Health Insurance Program (NYSHIP). Both the ERS and the NYSHIP plans accepted the Authority's application for participation.

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

The ERS is a cost-sharing multiple-employer retirement system that provides retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plan is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of the funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

ERS is noncontributory except for employees with less than 10 years of service who contribute a percentage of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The Authority contributed the required contributions to the ERS of approximately $33,600 and $37,800 during the years ended December 31, 2014 and 2013, respectively.

The Authority contributes 90% - 100% of the cost of individual employee coverage for medical insurance and 100% of additional costs for dependent coverage.

The Authority contributed approximately $26,800 and $25,600 to the NYSHIP during the years ended December 31, 2014 and 2013, respectively.

NOTE 9 — LINE OF CREDIT

The Authority has available a revolving demand line of credit totaling $300,000 with a bank. Borrowings under the line are collateralized by a lien and security interest in any and all deposits of the Authority held by the bank and or its affiliates and bear interest at the Wall Street Journal's Prime Rate plus 1.65%, adjusted annually (4.9% at December 31, 2014 and 2013). Interest on outstanding borrowings is due monthly. There were no borrowings outstanding at either December 31, 2014 and 2013.

NOTE 10 — CONTINGENCIES AND COMMITMENTS

Operating Leases

Office lease:

The Authority has an operating lease for office space located in the City of Albany, New York through June 2016. Rental expense paid by the Authority and included with occupancy costs in the statement of revenues, expenses, and changes in net position approximated $43,600 and $40,900 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments under the lease are as follows:

Year Ending December 31,	
2015	$ 46,500
2016	20,250
	$ 66,750

NOTE 10 — CONTINGENCIES AND COMMITMENTS *(Continued)*

Operating Leases (Continued)

Ground leases:

As a result of the purchase of buildings and land made on August 24, 2010, the Authority was assigned ground leases relating to surface parking areas which contain development rights. These parcels are part of the area designated for the building of the convention center. Assignment of these ground leases allows for the Authority to take the existing leases over from the original lessee with the same terms in place. The ground leases are accounted for as operating leases. The leases include a purchase option for two of the three properties during the final five years of the lease term. The surface parking areas to which these leases relate are being rented on a daily, monthly and event basis utilizing management agents.

Future minimum lease payments under these land leases are as follows:

Year Ending December 31,	
2015	$ 262,900
2016	386,800
2017	298,800
2018	302,800
2019	310,800
2020 - 2024	1,612,000
2025 - 2029	1,732,000
2030 - 2034	1,851,000
2035 - 2039	1,675,000
2040	30,800
	$ 8,462,900

Lease expense recorded by the Authority and included in rental loss in the statement of revenues, expenses, and changes in net position approximated $336,400 for each of the years ended December 31, 2014 and 2013. These leases include escalation amounts and have been recorded on a straight-line basis. Accordingly, a liability of approximately $267,800 and $218,200 is included in Rent Escalation Liability in the Statement of Net Position at December 31, 2014 and 2013, respectively. This liability represents the difference between actual lease payments made and the expense recorded on a straight line basis for the leases.

Management and Licensing Fee Commitments:

During 2009, the Authority acquired property in the form of a surface parking lot from GLI Inc. (GLI), doing business as Greyhound Lines. Coincidental with the closing, the Authority entered into a license agreement with GLI whereby for an annual fee of $10 GLI may use the property for the parking of its busses and employee cars consistent with the use prior to purchase. The license agreement is renewed annually and includes a right of termination by the Authority at any time as needed for the convention center project to proceed.

NOTE 10 — CONTINGENCIES AND COMMITMENTS *(Continued)*

Management and Licensing Fee Commitments: (Continued)

During 2009, the Authority acquired property in the form of surface parking lots from the County. Coincidental with the closing, the Authority entered into a license agreement with the County whereby for an annual fee of $10 the County may use the property for parking of Albany County owned vehicles and those of County employees consistent with the use prior to purchase. The license agreement is renewed annually and includes a right of termination by the Authority at any time as needed for the convention center project to proceed.

In April 2010, the Authority acquired certain land utilized as a surface parking lot from Capitalize Albany Corporation. As part of the purchase, the Authority received an assignment of a lease whereby Capitalize Albany Corporation leased the parking lot to 41 State Street for the lessee's annual use of the property with the address of 10 Dallius Street, Albany, NY. The parking lot is currently being leased for approximately $3,700 monthly through December 2019. The Authority entered into a license agreement with Capitalize Albany Corporation as part of the purchase of the parking lot whereby Capitalize Albany Corporation continues to collect the annual lease fee from 41 State Street in exchange for a fee equal to 30% of the revenue collected. The 30% fee represents payment for Capitalize Albany Corporation to manage the lease, oversee the use of the property and collect and account for the fees. The license agreement is renewed annually and the Authority retains the right to terminate the agreement at any time as needed in order for the convention center project to proceed.

During August 2010, the Authority purchased land, buildings and ground leases with existing rental operations. With respect to the surface parking lots, the Authority continues to rent the lots for daily, monthly and event purposes. The Authority entered into a management agreement for the management of the lots. The agreement calls for a monthly management fee of $650 and incentive fee equal to 20% of the increase, if any, in net operating income for each agreement year over the annualized net operating income generated in the first three months of the term. The agreement continues on a month to month basis.

During September 2014, the Authority entered into a management agreement for pre-opening consulting services and to promote, operate and manage the Albany Capital Center facility through December 2020. The agreement requires a pre-opening fee of $4,000 per month through commencement of the management term. The management term begins one month prior to the first public event held at the facility and requires a base management fee of $100,000 annually adjusted by CPI and allows for additional incentive fees based on operating revenues and qualitative factors. Management fees were approximately $12,000 for the year ended December 31, 2014 and included in Capital Center pre-opening expenses in the statement of revenues, expenses, and changes in net position.

During October 2014, the Authority entered into an agreement with the Albany County Convention and Visitors Bureau for the marketing the Capital Center through December 31, 2015. Marketing related expenses under this agreement approximated $25,000 for the year ended December 31, 2014 and included in Capital Center pre-opening expenses in the statement of revenues, expenses, and changes in net position.

As of December 31, 2014, the Authority has open commitments of approximately $3,846,000 to the construction management company and other contractors for construction related work being performed on the Capital Center.

NOTE 11 — SUBSEQUENT EVENTS

During January, 2015, the Authority entered into additional commitments of approximately $17.5 million relating to certain construction related costs for the Albany Capital Center.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON OUR AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Albany Convention Center Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States, the financial statements of the Albany Convention Center Authority (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON OUR AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Albany, New York
March 27, 2015